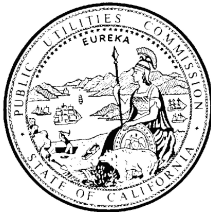


Docket	:	<u>A.10-12-005/006</u>
Exhibit Number	:	<u>DRA-1</u>
Commissioner	:	<u>Ferron</u>
ALJ	:	<u>Wong</u>
Witness	:	<u>James Wuehler</u>



**DIVISION OF RATEPAYER ADVOCATES  
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations  
for  
San Diego Gas & Electric Company  
Southern California Gas Company  
General Rate Case  
Test Year 2012**

**SDG&E  
Executive Summary**

San Francisco, California  
September 1, 2011

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1                                   **SOUTHERN CALIFORNIA GAS COMPANY**  
2                                   **EXECUTIVE SUMMARY**

3   **I.       INTRODUCTION / OVERVIEW**

4           The Division of Ratepayer Advocates (DRA) submits its exhibits in response  
5 to San Diego Gas and Electric Company (SDG&E) Application (A.) A.10-12-005 and  
6 Southern California Gas Company's (SCG or SoCalGas) A.10-12-006 for a Test  
7 Year (TY) 2012 General Rate Case (GRC). This exhibit presents DRA's executive  
8 summary regarding SDG&E's requests for TY 2012.

9           **A. SDG&E Requests \$1.842 Billion in Base Margin for Test Year**  
10           **2012**

11           On December 15, 2011, SDG&E filed an application requesting that the  
12 California Public Utilities Commission (CPUC or Commission) authorize a base  
13 margin<sup>1</sup> of \$1.842 billion.<sup>2</sup> That breaks down to \$1.523 billion<sup>3</sup> for the utility's  
14 electric operations and \$319 million<sup>4</sup> for the utility's gas, transmission and  
15 distribution operations, to be effective January 1, 2012, as shown in Table 1-1 (Total  
16 Company), Table 1-2 (Electric) and Table 1-3 (Gas). At that time, SDG&E was  
17 seeking a \$238 million rate increase (7.5%) relative to authorized 2010 levels for its  
18 electric operations and a \$39 million rate increase (6.3%) for its gas operations.<sup>5</sup>  
19 SDG&E also requests additional annual revenue increases of \$49 million in 2013,  
20 \$64 million in 2014 and \$81 million in 2015. SDG&E has asked for additional Smart  
21 Meter-related revenue in 2013-2015 in addition to the annual attrition increases.

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<sup>1</sup> Base margin is equal to revenue requirement less miscellaneous revenues.

<sup>2</sup> Exh. DRA-2, p. 4.

<sup>3</sup> Exh. DRA-2, p. 6.

<sup>4</sup> Exh. DRA-2, p. 8.

<sup>5</sup> A.10-12-005, p. 1.

**Table 1-1**  
**SDG&E is Seeking Over \$1.8 Billion in Total Base Margin for 2012**  
**(In Millions of Dollars)**

Description (a)	SDG&E 2012 Authorized Revenues (b)	SDG&E 2012 Proposed Revenues (c)	SDG&E Forecasted Increase over 2012 Authorized Revenues (d=c-b)	DRA 2012 Recommended Revenues (e)	DRA Recommended Increase over 2012 Authorized Revenues (f=e-b)
Total Base Revenues	\$1,513	\$1,842	\$329	\$1,467	\$(46)

**Table 1-2**  
**SDG&E is Seeking Over \$1.5 Billion in Electric Base Margin for 2012**  
**(In Millions of Dollars)**

Description (a)	SDG&E 2012 Authorized Revenues (b)	SDG&E 2012 Proposed Revenues (c)	SDG&E Forecasted Increase over 2012 Authorized Revenues (d=c-b)	DRA 2012 Recommended Revenues (e)	DRA Recommended Increase over 2012 Authorized Revenues (f=e-b)
Total Base Revenues	\$1,260	\$1,523	\$263	\$1,216	\$(44)

**Table 1-3**  
**SDG&E is Seeking Over \$300 Million in Base Margin for 2012**  
**(In Millions of Dollars)**

Description (a)	SDG&E 2012 Authorized Revenues (b)	SDG&E 2012 Proposed Revenues (c)	SDG&E Forecasted Increase over 2012 Authorized Revenues (d=c-b)	DRA 2012 Recommended Revenues (e)	DRA Recommended Increase over 2012 Authorized Revenues (f=e-b)
Total Base Revenues	\$253	\$319	\$66	\$251	\$(2)

**B. DRA Recommends \$1.467 Billion in Base Margin for 2012, or an Overall Base Rate Decrease of 3% Compared to Authorized 2010 Levels**

Based on its independent analysis, DRA recommends that the CPUC approve a base margin of \$1.467 billion<sup>6</sup> which is a rate decrease for SDG&E of \$46 million (or -3%) in 2012. DRA recommends annual revenue increases of \$25 million in 2013, \$32 million in 2014 and \$40 million in 2015.

**Table 1-4**  
**SDG&E Requested and DRA Recommended Attrition Increases<sup>7</sup>**  
**(\$ Millions)**

Description (a)	SDG&E Requested 2013 Revenue Increase (b)	SDG&E Requested 2014 Revenue Increase (c)	SDG&E Requested 2015 Revenue Increase (d)
Attrition Revenue Increase	\$49	\$64	\$81

Description (a)	DRA Recommended 2013 Revenue Increase (b)	DRA Recommended 2014 Revenue Increase (c)	DRA Recommended 2015 Revenue Increase (d)
Attrition Revenue Increase	\$25	\$32	\$40

**C. DRA is Recommending Reasonable Test Year Changes & Policy Recommendations**

DRA's Sempra GRC team, consisting of 19 staff and project management, spent over 10 months analyzing SCG and SDG&E's exhibits and workpapers. Five staff members were also concurrently assigned to the Southern California Edison (SCE) TY 2012 GRC, which in some cases meant they were preparing to testify and testifying in SCE's hearings at the same time they were completing their SCG or SDG&E testimony. DRA propounded 298 sets of formal data requests and

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<sup>6</sup> Exh. DRA-2, p. 4.

<sup>7</sup> Exh. DRA-38, p. 6.

1 numerous informal data requests, met with SDG&E witnesses and support staff,  
2 audited the Utilities' financial records, conducted research and analysis and  
3 consulted with its three assigned counsel to develop their testimonies. DRA's  
4 diligent efforts resulted in reasonable TY changes and policy recommendations.

## 5 **II. OVERVIEW OF DRA'S RECOMMENDATIONS**

6 The following summarizes DRA's major recommendations relative to SDG&E'  
7 request:

- 8 ➤ DRA recommends \$229 million in Operations and Maintenance (O&M)  
9 expense reductions, including shared services adjustments,  
10 reassignments, FERC transaction costs, escalation and franchise fees  
11 and uncollectibles.
- 12 ➤ DRA recommends \$38 million in depreciation and amortization  
13 expense reductions.
- 14 ➤ DRA recommends \$43 million in income tax reductions.
- 15 ➤ DRA recommends \$782 million in rate base reductions.
- 16 ➤ DRA recommends \$66 million reduction to return on rate base.

## 17 **III. ORGANIZATION OF DRA'S SHOWING/SUMMARY OF EXHIBITS**

18 Section A below provides a brief summary of DRA's exhibits. Appendix A  
19 provides a table that lists DRA's exhibits and the corresponding SDG&E exhibit.

### 20 **A. Presentation of DRA's Exhibits**

21 Below is a brief summary of DRA's exhibits for SDG&E and SCG. Note that  
22 there is no Exhibit DRA-22 or DRA-43.

23  
24 *Exhibit DRA-1, SDG&E Executive Summary*

25 *Exhibit DRA-2, SDG&E Summary of Earnings:* DRA recommends a \$45.594 million  
26 revenue requirement reduction for SDG&E TY 2012. SDG&E requested a \$329.891  
27 million revenue requirement increase. DRA differs from SDG&E in Operation and  
28 Maintenance expenses, Administrative expenses, Escalation, Depreciation, taxes  
29 and rate base.  
30

1 *Exhibit DRA-3, SDG&E Customers:* SDG&E Electric Department Customers: DRA  
2 estimates 1,392,436 total electric customers, which is about 0.2% lower than  
3 SDG&E's estimate of 1,394,896. Electric Sales: DRA adopts SDG&E's electric  
4 sales forecast, which is taken directly from the most recent California Energy  
5 Commission forecast. Gas Department Customers: DRA estimates 859,617 total  
6 gas customers for SDG&E which is virtually the same as SDG&E's estimate of  
7 859,604.  
8

9 *Exhibit DRA-4, SDG&E Electric Generation O&M:* DRA recommends \$30,183,000  
10 for Electric Generation Expenses which is \$3,504,000 less than SDG&E's request of  
11 \$33,687,000. DRA differs from SDG&E mainly in Generation Plant Palomar  
12 (\$2,051,000 less) and Generation Plant Miramar (\$579,000 less).  
13

14 *Exhibit DRA-5, SDG&E Electric Generation SONGS O&M:* DRA recommends  
15 \$65,293,000 for Electric Generation, San Onofre Nuclear Generating Station which  
16 is \$54,903,000 less than SDG&E's request of \$120,196,000. DRA differs from  
17 SDG&E mainly in Site Easement and Industrial and Accident Injury expenses  
18 (\$622,000 less) and Base O&M Costs (\$54,281,000 less).  
19

20 *Exhibit DRA-6, Escalation:* Labor Escalation: DRA recommends lower labor  
21 escalation rates of 1.77%, 2.09%, and 2.61% for 2010, 2011 and 2012, respectively.  
22 SDG&E and SCG recommend labor escalation rates of 2.61%, 3.02% and 2.37%,  
23 for 2010, 2011 and 2012, respectively.

24 Non-Labor Escalation (SDG&E Electric O&M): DRA and SDG&E recommend  
25 non-labor escalation rates of 1.94% in 2010, 2.31% in 2011 and 2.69% in TY 2012.  
26 DRA agrees with SDG&E and SCG's gas O&M non-labor escalation methodology  
27 and results.

28 Shared Services Escalation (SDG&E Electric): DRA recommends shared  
29 services escalation rates of 1.86% in 2010, 2.25% in 2011 and 2.64% in 2012.  
30 SDG&E recommends electric shared services escalation rates of 2.27% in 2010,  
31 2.71% in 2011 and 2.52% in 2012.

32 Shared Services Escalation (SCG): DRA forecasts shared services  
33 escalation rates of 1.76% in 2010, 2.28% in 2011 and 2.65% in 2012. SCG  
34 recommends shared services escalation of 2.16% in 2010, 2.71% in 2011 and  
35 2.54% in 2012. DRA agrees with both SDG&E's and SCG's proposed capital  
36 escalation methodology and results in 2010, 2011 and 2012.  
37

38 *Exhibit DRA-7, SDG&E Gas Distribution:* DRA recommends \$14.840 million for gas  
39 distribution O&M expenses in TY 2012 which is \$4.972 million less than SDG&E's  
40 request. DRA recommends gas distribution capital expenditures of \$64,976,000,  
41 \$34,136,000 and \$19,982,000 for 2010, 2011 and 2012, respectively.  
42

43 *Exhibit DRA-8, SDG&E Gas Transmission:* DRA recommends \$3.197 million for gas  
44 distribution O&M expenses in 2012 which is \$182,000 less than SDG&E's request.

1 DRA recommends gas distribution capital expenditures of \$6,400,000, \$10,943,000  
2 and \$11,071,000 for 2010, 2011 and 2012, respectively.  
3

4 *Exhibit DRA-9, SDG&E Gas Engineering:* DRA recommends \$4.082 million for gas  
5 transmission O&M expenses in 2012 which is \$7.787 million less than SDG&E's  
6 request.  
7

8 *Exhibit DRA-10, SDG&E Electric Distribution O&M:* DRA recommends \$103.495  
9 million for Electric Distribution O&M expenses in TY 2012 which is \$24.012 million  
10 less than SDG&E's request of \$127.507 million. The largest differences are in  
11 Electrical Regional Operations (\$7,770,000) and Vegetation Management  
12 (\$3,915,000).  
13

14 *Exhibit DRA-11, SDG&E Electric Distribution Capital:* DRA recommends total  
15 electric distribution capital costs of \$158.382 million for TY 2012 which is \$94.048  
16 million less than requested by SDG&E. DRA recommends \$56.383 million in TY  
17 2012 for indirect capital overhead pools related to electric distribution which is  
18 \$56.383 million less than SDG&E's request.  
19

20 *Exhibit DRA-12, SDG&E Electric Generation SONGS Capital:* DRA recommends \$0  
21 in 2012 for non-nuclear electric generation capital costs compared to the \$15 million  
22 requested by SDG&E.  
23

24 *Exhibit DRA-13, SDG&E Electric Procurement:* DRA recommends \$8.289 million for  
25 Electric Procurement which is \$2,153,000 less than the \$10.064 million requested by  
26 SDG&E. DRA differs from SDG&E in Long Term Procurement (\$726,000) and  
27 Trading and Scheduling (\$692,000).  
28

29 *Exhibit DRA-14, SDG&E Smart Grid Policy Infrastructure:* DRA recommends \$12.41  
30 million in 2012 for Smart Grid Infrastructure capital costs which is \$44.859 million  
31 less than SDG&E's request. The largest differences are \$23.59 million for storage  
32 related improvements related to renewable growth, \$5.23 million for electric vehicle  
33 charging stations, \$4.436 million for SCADA and \$4.027 million for phase  
34 identification.  
35

36 *Exhibit DRA-15, SDG&E Customer Services-Electric Metering & Smart Meter Policy:*  
37 DRA recommends \$8.126 million for electric meter expenses which is \$956,000 less  
38 than requested by SDG&E. The main difference is metering operation expense,  
39 where DRA recommends \$873,000 less than SDG&E's request.  
40

41 *Exhibit DRA-16, SDG&E Customer Services-Customer Services Field Operations &*  
42 *Customer Contact:* DRA recommends \$34.271 million for Customer Service Field



1 and Customer Contact which is \$1,213 million less than requested by SDG&E. The  
2 difference is for the Customer Contact Center (\$856,000).

3  
4 *Exhibit DRA-17, SDG&E Customer Services-Office Operations:* DRA recommends  
5 \$19.666 million for Office Operations which is \$2.964 million less than requested by  
6 SDG&E. The major differences are Smart Meter billing services (\$635,000), and  
7 Home Area Network expenses (\$1.033 million).

8  
9 *Exhibit DRA-18, SDG&E Customer Services-Information:* DRA recommends  
10 \$15.421 million which is \$10.666 million less than requested by SDG&E. The main  
11 differences are the Research, Design, and Development (\$4.6 million), Electric  
12 Clean Transportation (\$2.23 million), and projects targeted to customers with mobile  
13 devices (\$2.4 million).

14  
15 *Exhibit DRA-19, Supply Services & Diverse Business Enterprises:* DRA takes no  
16 issue with SDG&E's O&M request. DRA recommends \$17.715 million which is  
17 \$1.805 million less than SCG's request of \$19.520 million.

18  
19 *Exhibit DRA-20, Fleet Services:* DRA recommends \$31.752 million which is \$8.341  
20 million less than SDG&E's request of \$40.093 million. DRA recommends \$43.240  
21 million which is \$7.662 million less than SCG's request of \$50.691 million.

22  
23 *Exhibit DRA-21, Information Technology:* DRA recommends \$52.1 million in O&M  
24 expenses for TY 2012 or \$3.4 million less than requested by SDG&E. DRA  
25 recommends \$51.0 million in O&M expenses for 2012 or \$1.4 million less than  
26 requested by SCG. DRA recommends \$187.9 million for SDG&E for capital projects  
27 which are \$14.4 million less than requested by SDG&E. DRA recommends \$251.3  
28 million for SCG for capital projects which are \$1.2 million less than requested by  
29 SCG.

30  
31 *Exhibit DRA-23, Real Estate, Land & Facilities:* DRA recommends \$22.705 million  
32 in O&M for SDG&E, which is \$3.510 million less than the \$26.215 million requested.  
33 DRA recommends \$37.843 million in O&M for SCG, which is \$4.221 million less  
34 than the \$42.064 million requested. DRA recommends \$9.419 million in capital for  
35 SDG&E, which is \$17.379 million less than the \$26.798 million requested. DRA  
36 recommends \$11.163 million in capital for SCG, which is \$12.926 million less than  
37 the \$22.876 million requested.

38  
39 *Exhibit DRA-24, Environmental:* DRA recommends \$7.795 million in O&M for  
40 SDG&E, which is \$1.165 million less than the \$8.960 million requested. DRA takes  
41 no issue with the \$4.856 million in O&M requested by SCG.

1 *Exhibit DRA-25, Safety & Emergency Preparedness:* DRA recommends \$4.493  
2 million in O&M for SDG&E, which is \$0.150 million less than the \$4.643 million  
3 requested. DRA recommends \$3.643 million in O&M for SCG, which is \$.540 million  
4 less than the \$4.183 million requested. DRA recommends \$113,000 in capital for  
5 SDG&E, which is \$137,000 less than the \$250,000 requested. DRA recommends  
6 \$650,000 in capital for SCG, which is \$200,000 less than the \$850,000 requested.  
7

8 *Exhibit DRA-26, Corporate Center-General Administration:* DRA recommends  
9 Corporate Center costs of \$68.239 million be allocated to SDG&E (\$33.414 million)  
10 and SCG (\$34.825 million). This is \$47.860 million less than the \$116.099 million  
11 requested by Corporate Center.  
12

13 *Exhibit DRA-27, Corporate Center-Insurance:* DRA recommends Corporate  
14 Insurance costs of \$98.959 million be allocated to SDG&E (\$84.773 million) and  
15 SCG (\$314.185 million). This is \$14.416 million less than the \$113.374million  
16 requested by Corporate Center.  
17

18 *Exhibit DRA-28, Compensation & Incentives:* DRA recommends SCG be allowed a  
19 total of \$7.5 million for its Short-Term Incentive Plan, as part of its Compensation  
20 and Incentives request. In this Exhibit, DRA also recommends SDG&E be allowed a  
21 total of \$12.6 million for its Compensation and Incentives request. DRA's  
22 recommendations are \$30.6 million less than requested by SCG and \$45.6 million  
23 less than requested by SDG&E, respectively.  
24

25 The major areas where DRA differs from SCG and SDG&E are in the  
26 allocation of expenses for the Short-Term Incentive plan and in funding for the Long-  
27 Term Incentive plan. SCG and SDG&E request 100% ratepayer funding for both the  
28 short-term and long-term plans. DRA recommends ratepayers be responsible for  
29 30% of the short-term plan and zero ratepayer funding for the long-term plan for both  
30 companies.

31 *Exhibit DRA-29, Health & Welfare:* DRA recommends SDG&E be allowed a total of  
32 \$48.952 million for Health and Welfare Benefits Expense. This is \$32.994 million  
33 less than requested by SDG&E. The major areas where DRA differs from SDG&E  
34 and SCG are: the forecast of escalation rates for medical plans expense and of  
35 employee head count estimates; the Company's inclusion of supplemental executive  
36 benefits that should not be funded by ratepayers; and the Company's inclusion of  
37 duplicative and supererogatory expenses that should not be funded by ratepayers.  
38 DRA recommends SCG be allowed a total of \$60.661 million for Health and Welfare  
39 Benefits Expense. This is \$38.019 million less than requested by SCG.  
40

41 *Exhibit DRA-30, Pensions & PBOPs:* DRA recommends SDG&E be allowed a total  
42 of \$72.387 million for pensions and PBOPs. This is the amount requested by  
43 SDG&E. The major area where DRA differs from SDG&E and SCG is that DRA is  
44 recommending a change from two-way to one-way balancing account treatment for

1 pension expense. DRA recommends SCG be allowed a total of \$101.047 million for  
2 pensions and PBOPs. This is the amount requested by SCG.  
3

4 *Exhibit DRA-31, Human Resources, Disability & Workers Compensation:* DRA  
5 recommends SDG&E be allowed a total of \$11.963 million for Human Resources,  
6 Disability and Worker's Compensation. This is \$3.593 million less than requested by  
7 SDG&E. DRA recommends SCG be allowed a total of \$23.879 million for Human  
8 Resources, Disability and Worker's Compensation. This is \$3.3 million less than  
9 requested by SCG.  
10

11 *Exhibit DRA-32, Controller, Regulatory Affairs & Finance:* DRA recommends  
12 SDG&E be allowed a total of \$18,478 million for Controller, Regulatory Affairs &  
13 Finance. This is \$5,382 million less than requested by SDG&E. DRA recommends  
14 SCG be allowed a total of \$7.703 million for non-shared services for Controller,  
15 Regulatory Affairs and Finance. This \$2.1 million less than requested by SCG.  
16

17 *Exhibit DRA-33, External Affairs & Legal:* DRA agreed with SDG&E and SCG's TY  
18 2012 forecasts for External Affairs and Legal. The major area where DRA differs  
19 from SDG&E and SCG is for the Legal Department timekeeping proposal. SDG&E  
20 and SCG proposed to eliminate attorneys' timekeeping. DRA opposed the Utilities'  
21 request and recommended that the Commission deny SDG&E's and SCG's  
22 timekeeping Proposal and have both Utilities continue to track attorney's time and  
23 allocate legal costs for its Legal Departments.  
24

25 *Exhibit DRA-34, Shared Services Billing Policy & Process:* DRA recommends SCG  
26 and SDG&E be allowed lower direct costs, lower allocations of overhead costs,  
27 lower retained and allocations-in costs compared to the Utilities' requests. DRA  
28 does not take issue with SCG and SDG&E's presentation of shared services costs,  
29 shared services billing, or the allocation of shared costs.  
30

31 *Exhibit DRA-35, Rate Base:* DRA recommends SDG&E total company rate base of  
32 \$3.624 billion, electric rate base of \$3.172 billion and gas rate base of \$451.976  
33 million. DRA recommends SCG Rate Base of \$3.349 billion.  
34

35 *Exhibit DRA-36, Depreciation:* DRA recommends SDG&E be allowed a total of  
36 \$305,311,000 for Depreciation and Amortization expense. This is \$32,891,000 less  
37 than requested by SDG&E. The major areas where DRA differs from SDG&E are  
38 net salvage rates for accounts 366 and 376, with a difference of 40% and 45%,  
39 respectively. DRA recommends SCG be allowed a total of \$282,748,000 for  
40 Depreciation expense. This is \$53,573,000 less than requested by SCG. The major  
41 area where DRA differs from SCG are the net salvage rate for account 376, with a  
42 difference of 55%.  
43

1 *Exhibit DRA-37, Taxes:* DRA recommends SDG&E be allowed \$(129,286,000) for  
2 the taxes identified below. This is \$55,353,000 less than requested by SDG&E.  
3 DRA recommends SCG be allowed \$(133,967,000) for the taxes identified below.  
4 This is \$87,127,000 less than requested by SCG. The major areas where DRA  
5 differs from Sempra are: 2010 Tax Relief Act-reject Sempra's use of "carry  
6 forwards" to shift the resulting deferred tax asset from the year incurred to future  
7 generations of ratepayers and correct Sempra's method for calculating the weighted  
8 average deferred tax balance to be consistent with how they are booked in tandem  
9 with capital additions. Meals and Entertainment-replace Sempra's 100% allowance  
10 for business travel meals with the 50% allowed by the CPUC and b) remove  
11 entertainment costs. Payroll Taxes-reduce Sempra's total composite tax rate a) to  
12 reflect DRA's use of more recent 2010 data and b) DRA eliminated Sempra's  
13 adjustment for wage base growth.  
14

15 *Exhibit DRA-38, Post Test Year Ratemaking Framework:* DRA recommends the use  
16 of CPI-U to escalate Post Test Year revenue requirements for 2013-2015.  
17

18 *Exhibit DRA-39, Total Factor Productivity Study:* DRA has minimal differences with  
19 the Utilities request.  
20

21 *Exhibit DRA-40, SCG Executive Summary*

22 *Exhibit DRA-41, SCG Summary of Earnings:* DRA recommends for SCG TY 2012 a  
23 \$62.837 million revenue requirement reduction for SCG Summary of Earnings. This  
24 compares to \$305.825 million revenue requirement increase requested by SCG.  
25 The areas where DRA differs from SDG&E are Operation and Maintenance  
26 expenses, Administrative expenses, Escalation, Depreciation, taxes and rate base.  
27

28 *Exhibit DRA-42, SCG Customers:* DRA has minimal differences with the Utilities  
29 customer forecasts.  
30

31 *Exhibit DRA-44, SCG Gas Distribution, Transmission & Engineering-O&M:* DRA  
32 recommends SCG be allowed a total of \$92.8 million for gas distribution, \$29.0  
33 million for gas engineering, \$27.0 million for gas transmission, and \$26.7 million for  
34 underground storage operation and maintenance expenses. DRA's  
35 recommendation for gas distribution is \$38.4 million less than requested by SCG.  
36 DRA's recommendation is \$49.4 million less than requested by SCG for gas  
37 engineering. DRA's recommendation for gas transmission is \$1.3 million less than  
38 requested by SCG. DRA's recommendation for underground storage is \$2.1 million  
39 less than requested by SCG. The major areas where DRA differs from SCG are (1)  
40 environmental compliance costs regarding AB 32, (2) general economic forecast for  
41 TY 2012, (3) Pipeline Integrity Management-Transmission expenses, and (4)  
42 Pipeline Integrity Management-Distribution expenses.  
43

1 *Exhibit DRA-45, SCG Gas Distribution, Transmission, Underground Storage and*  
2 *Gas Engineering-Capital:* DRA recommends SCG be allowed a total of  
3 \$312,326,000 for SCG Gas Distribution, Transmission, Underground Storage, and  
4 Gas Engineering capital expenditures. This is \$89,152,000 less than requested by  
5 SCG. The major areas where DRA differs from SCG are: in Distribution, the  
6 difference in New Business is \$26,308,000 and in the Field Support is \$10,225,000.  
7 In Gas Engineering and Transmission, the difference in New Additions is  
8 \$13,364,000, in Sustainable SoCal Program the difference is \$11,272,000, in  
9 Compressor Stations the difference is \$9,476,000, and in Pipeline Land Rights the  
10 difference is \$8,300,000.

11  
12 *Exhibit DRA-46, SCG Underground Storage O&M, Gas Procurement:* DRA  
13 recommends SCG be allowed a total of \$3.5 million for gas procurement. DRA's  
14 recommendation is \$95,000 less than requested by SCG.

15  
16 *Exhibit DRA-47, SCG Customer Services-Customer Services Field Operations &*  
17 *Customer Contact:* DRA recommends SCG be allowed a total of \$224.298 million  
18 for Customer Service Field and Customer Contact. This is \$6.023 million less than  
19 requested by SCG. The major area where DRA differs from SCG is field operations  
20 expenses (\$4.224 million).

21  
22 *Exhibit DRA-48, SCG Customer Services-Office Operations:* DRA recommends  
23 SCG be allowed a total of \$50.975 million for Office Operations. This is \$1.702  
24 million less than requested by SCG. The major areas where DRA differs from SCG  
25 are technology support (\$742,000), miscellaneous customer service expenses  
26 (\$564,000), and business processes (\$396,000).

27  
28 *Exhibit DRA-49, SCG Customer Services-Information:* DRA recommends SCG be  
29 allowed a total of \$24.182 million for Customer Services and Information. This is  
30 \$17.354 million less than requested by SCG. The major areas where DRA differs  
31 from SCG are the Research, Design, and Development budget (\$13 million), natural  
32 gas vehicle and non-residential market programs (\$1.34 million), and customer  
33 communications expenses (\$1.257 million).

34  
35 *Exhibit DRA-50, Audit Report:* DRA recommends adjustments in Corporate Center  
36 shared services that result from multi-factor allocation percentages changes, mainly  
37 using net plants instead of gross plants, removal of DWR sales and removal of  
38 SONGS plant. DRA also recommends removal of the international tax which was  
39 allocated to the Utilities and a significant reduction of Corporate Insurance. The  
40 audit recommendations result in a \$2.8 million reduction in 2009 recorded Corporate  
41 Center shared services, a \$3.3 million reduction in TY 2012.

42 DRA recommends SCG be allowed a total of \$4.3 million for AFUDC for  
43 2010-2012, which is \$50.6 million less than requested by SCG. DRA recommends  
44 SDG&E be allowed a total of \$4.4 million for AFUDC for 2010-2012, which is \$44.3  
45 million less than requested by SDG&E.

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4

*Exhibit DRA-51, Qualifications:* a listing of the relevant qualifications of DRA's witnesses.

5     **IV.     SDG&E'S REVISED TESTIMONY**

6             On July 22, 2011, SCG and SDG&E made available revised exhibits and  
7     workpapers to their consolidated GRC applications. The Utilities included a revised  
8     Results of Operations (RO) Model that included changes. Given the short time  
9     available before DRA's testimony was due, DRA utilized the original RO Model.

10    **V.     CONTENTS OF APPENDICES**

11            DRA has included as Appendix A an exhibit list that shows the utility exhibit  
12    number, testimony topic, SDG&E witness, DRA witness and DRA exhibit number.

